

**EXTRA CREDIT TEACHER PROGRAM
PROMISSORY NOTE
CALIFORNIA HOUSING FINANCE AGENCY HOME PURCHASE ASSISTANCE PROGRAM ("HPA")**

**NOTICE TO BORROWER
THIS DOCUMENT CONTAINS PROVISIONS
PROHIBITING UNAUTHORIZED TRANSFERS SECURED BY
A DEED OF TRUST ON RESIDENTIAL PROPERTY**

Property Address: _____

\$ _____, 20 _____
Date of this Note

FOR VALUE RECEIVED, the undersigned, _____, (the "Borrower") hereby promises to pay to the order of the California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California, its assignees or holder, whose address is 1121 L Street, Suite 103, Sacramento, California, 95814, (the "Lender") as further provided herein, a principal amount equal to _____ Dollars, (\$ _____), with simple interest at the rate specified below on the unpaid principal balance from the date of this Promissory Note (the "Note"), until paid. The obligation of the Borrower with respect to this Note is secured by that certain Deed of Trust entitled "Permanent Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (California Housing Finance Agency Home Purchase Assistance Program) ("HPA")" (the "Deed of Trust"), and executed by the Borrower concurrently herewith.

DEFINITIONS

"Date of this Note" – means the date that this Note is executed as specified on the top right hand side of this page.

"First Note and Deed of Trust" – means that purchase money financing provided by the California Housing Finance Agency or its designee and which is an encumbrance on the Property in a 1st priority lien position.

"Qualified Borrower" – means the Lender has determined, in its sole discretion, from documentation provided by the Borrower and his/her employer, that Borrower is currently employed at a Low Performing School or Low Performing School District in a credentialed school staff position, and will occupy the Property as his/her principal residence. "Credentialed school staff position" means the Borrower holds a California Credential in the subject area(s) stated in the Extra Credit Teacher Home Purchase Assistance Program Bulletin #2002-37.

"Low Performing School" (Statewide Rank 1, 2, 3, 4, or 5) means a school which ranks in the bottom 50% in the Academic Performance Index ("API") of schools tested pursuant to the Public Schools Accountability Act of 1999 in the most current testing cycle as identified by statistics prepared by the Department of Education.

"Low Performing School District" – means a California Public School District where more than 50% of the K-12 public schools in the district are low performing schools.

RECITALS

1. *Borrower's Obligation.* This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned to finance the purchase of that certain real property (the "Property") described in the Deed of Trust. The amount of home purchase assistance plus accrued interest shall be due and payable at the end of the Term of Note as set forth in paragraph 5 below, or upon acceleration of payment as set forth in paragraph 6 below.

2. *Amounts.* Simple interest on the outstanding principal amount of home purchase assistance shall accrue at five percent (5%) per annum from the Date of this Note until payment in full, subject to the following modifications, if applicable:

- (a) If the Borrower is a Qualified Borrower on the first year anniversary date of the Date of this Note ("1st Anniversary"), the Borrower's interest due shall be reduced by 1% so that the effective rate on this Note is 4% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively, so that interest shall accrue at 4% until the loan is paid in full.
- (b) If the Borrower was a Qualified Borrower on the 1st Anniversary, and continues to be a Qualified Borrower on the second year anniversary date of the Date of this Note ("2nd Anniversary"), the Borrower's interest due shall be reduced by 1% so that the effective rate on this Note shall be 3% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively so that interest shall accrue at 3% until the loan is paid in full.
- (c) If the Borrower was a Qualified Borrower on the 1st and 2nd Anniversary and continues to be a Qualified Borrower on the third year anniversary of the Date of this Note ("3rd Anniversary"), the Borrower's interest due on this Note shall be reduced by 3% so that the effective rate on this Note is 0% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively so that interest shall accrue at 0% until the loan is paid in full.
- (d) Notwithstanding the definition of Qualified Borrower specified herein, if Borrower's employer school improves its API scores during the first three years, so that it no longer ranks as a Low Performing School, Borrower shall remain a Qualified Borrower for the purposes of the above-stated interest rate reductions.

3. *Occupancy.* Borrower shall occupy the Property as Borrower's principal place of residence during the term of this Note.

4. *Loan Not Assumable, Prohibition on Transfer of Interests; Limited Exceptions.* The Borrower shall not make any lease, sale, assignment, conveyance or transfer of the Property except as permitted. No transfer of this second loan will be permitted, and no successor in interest to the Borrower(s) will be permitted to assume the Borrower(s) loan secured by this Deed of Trust except in the following limited circumstances:

- (a) The transfer results from the death of a Borrower and the transfer is to the surviving Co-Borrower who occupies the property;
- (b) A transfer by a Borrower to his or her spouse when the spouse becomes by such transfer a co-owner of the Property;
- (c) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree by which a spouse who is already a Borrower continues to occupy the Property and becomes the sole owner of the Property.
- (d) A transfer by a Borrower to an intervivos trust in which the Borrower is the sole beneficiary.

5. *Term of Note/Repayment of Loan Principal and Interest.* Borrower shall repay to Lender the principal, interest and any other amounts due under this Note on the earliest of the following occurrences:

- (a) When the First Note and Deed of Trust becomes due and payable;

- (b) When the First Note and Deed of Trust loan is paid in full;
- (c) When the First Note and Deed of Trust loan is refinanced; or
- (d) When the property is sold or transferred.

6. *Acceleration of Payment.* The principal amount of this loan, together with any then outstanding accrued interest thereon shall become immediately due and payable upon the earliest of any of the following events:

- (a) In the event of a default under the terms of this Note or the Deed of Trust securing this Note;
- (b) In the event that the Borrower shall cease to occupy the Property as Borrower's principal place of residence;
- (c) In the event of any sale, or transfer, lease, rental or encumbrance of the property in violation of paragraph 4 of this Promissory Note; or
- (d) In the event of those circumstances specified in paragraph 5 of this Note.

7. *Place and Manner of Payment.* All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time to time.

8. *Application of Payments.* Until the 3rd Anniversary, all partial payments received on account of this Note shall be first applied to the reduction of principal and the remainder shall be applied to accrued interest. Any payments received by the Lender on account of this Note after the 3rd Anniversary shall first be applied to accrued interest and the remainder shall be applied to reduction of the principal.

9. *Attorney's Fees.* The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.

10. *Default and Acceleration.* All covenants, conditions and agreements contained in the Deed of Trust are hereby made a part of this Note. The Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all accrued interest thereon and charges owing, shall, at the option of the Lender or, if so provided in this Note and Deed of Trust executed by the Borrower, shall automatically become due and payable, and thereafter until paid bear interest at the rate of ten percent (10%) per annum, upon the failure of the Borrower to make any payment hereunder as and when due; upon the failure of the Borrower to perform or observe any other provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust, shall entitle the Lender to exercise rights or remedies thereunder.

11. *Notices.* Except as may be otherwise specifically provided herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and may be communicated to the Borrower at the address of the Property, or at such other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender.

12. *No Prohibition Against Prepayment.* Borrower may prepay this Note at any time without penalty.

13. *Governing Law.* This Note shall be construed in accordance with and be governed by the laws of the State of California.

14. *Severability.* If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

15. *Time.* Time is of the essence in this Note.

16. *No Waiver by the Lender.* No waiver of any breach, default or failure of condition under the terms of the Note or Deed of Trust shall thereby be implied from any failure of the Lender to take, or any delay by the Lender in taking, action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note, Deed of Trust, or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

17. *Successors and Assigns.* The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.

_____ Borrower	_____ Borrower
_____ Borrower	_____ Borrower
_____ Borrower	_____ Borrower